

Mr. Fred Todd, Vice-President Finance
Loris Community Hospital
3620 Stevens Street
Loris, South Carolina 29569

Re: AC# 3-LRS-J5 – Loris Hospital District d/b/a Loris Extended Care Facility

Dear Mr. Todd:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1994 through September 30, 1995. That report was used to set the rate covering the contract periods beginning October 1, 1996.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate change shown on Exhibit A. You will be notified of settlement terms by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Mr. Fred Todd, Vice-President Finance
Loris Community Hospital
3620 Stevens Street
Loris, South Carolina 29569

Re: Draft Report - AC# 3-LRS-J5 – Loris Hospital District d/b/a Loris Extended Care Facility

Dear Mr. Todd:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to me regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

R. James McClam, CPA
Director of Federal Audits

RJM/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director
Division of Home Health and Nursing Home Services
Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

Re: Draft Report - AC# 3-LRS-J5 – Loris Hospital District d/b/a Loris Extended Care Facility

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact me within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

R. James McClam, CPA
Director of Federal Audits

RJM/cwc

cc: Mr. Jeff Saxon
Mr. Robert M. Kerr

**LORIS HOSPITAL DISTRICT
D/B/A LORIS EXTENDED CARE FACILITY**

LORIS, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1996
AC# 3-LRS-J5**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 8, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Loris Hospital District d/b/a Loris Extended Care Facility, for the contract periods beginning October 1, 1996 and for the twelve month cost report period ended September 30, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Loris Hospital District d/b/a Loris Extended Care Facility, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Loris Hospital District d/b/a Loris Extended Care Facility dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 8, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

**LORIS HOSPITAL DISTRICT
D/B/A LORIS EXTENDED CARE FACILITY**

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1996
AC# 3-LRS-J5

Adjusted reimbursement rate	\$92.88
Interim reimbursement rate (1)	<u>88.81</u>
Increase in reimbursement rate	\$ <u>4.07</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

LORIS HOSPITAL DISTRICT
D/B/A LORIS EXTENDED CARE FACILITY
 Computation of Adjusted Reimbursement Rate
 For the Contract Periods October 1, 1996 Through September 30, 1997
 AC# 3-LRS-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$ -	\$47.35	\$42.83	\$42.83
Dietary	<u>-</u>	<u>9.88</u>	<u>9.46</u>	<u>9.46</u>
Subtotal	<u>\$ -</u>	57.23	52.29	52.29
Laundry/Housekeeping/Maint.	\$ -	8.45	7.32	7.32
Administration & Med. Rec.	<u>-</u>	<u>11.33</u>	<u>8.60</u>	<u>8.60</u>
Subtotal	<u>\$ -</u>	77.01	<u>\$68.21</u>	68.21
<u>Costs Not Subject to Standards:</u>				
Utilities		2.61		2.61
Special Services		-		-
Medical Supplies & Oxygen		5.34		5.34
Taxes and Insurance		.85		.85
Legal Fees		<u>.08</u>		<u>.08</u>
TOTAL		<u>\$85.89</u>		77.09
Inflation Factor (4.90%)				3.78
Cost of Capital				11.76
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For General Services and Dietary				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$92.88</u>

LORIS HOSPITAL DISTRICT
D/B/A LORIS EXTENDED CARE FACILITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1995
AC# 3-LRS-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,533,093	\$ -	\$ 27,893 (1)	\$1,505,200
Dietary	456,065	-	142,113 (1)	313,952
Laundry	30,731	-	4,613 (1)	26,118
Housekeeping	158,932	-	18,959 (1)	139,973
Maintenance	95,550	7,001 (1)	-	102,551
Administration & Medical Records	310,806	49,407 (1)	-	360,213
Utilities	82,849	265 (1)	-	83,114
Special Services	2,289	53,671 (1)	55,960 (2)	-
Medical Supplies & Oxygen	173,062	-	1,007 (1) 2,193 (2)	169,862
Taxes & Insurance	30,581	-	3,717 (1)	26,864
Legal Fees	150	2,303 (1)	-	2,453
Cost of Capital	237,728	86,809 (1) <u>95,316 (4)</u>	45,880 (3) <u> </u>	373,973 <u> </u>
Subtotal	3,111,836	294,772	302,335	3,104,273

LORIS HOSPITAL DISTRICT
D/B/A LORIS EXTENDED CARE FACILITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1995
 AC# 3-LRS-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	45,234	-	45,222 (1)	12
Non-Allowable	109,413	44,116 (1)	95,316 (4)	162,246
		58,153 (2)		
		<u>45,880 (3)</u>		
Total Operating Expenses	<u>\$3,266,483</u>	<u>\$442,921</u>	<u>\$442,873</u>	<u>\$3,266,531</u>

TOTAL BEDS 88

TOTAL PATIENT DAYS 31,791

LORIS HOSPITAL DISTRICT
D/B/A LORIS EXTENDED CARE FACILITY
Adjustment Report
Cost Report Period Ended September 30, 1995
AC# 3-LRS-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Maintenance	\$ 7,001	
	Administration	49,407	
	Utilities	265	
	Legal	2,303	
	Special Services	53,671	
	Cost of Capital	86,809	
	Nonallowable	44,116	
	General Services		\$ 27,893
	Dietary		142,113
	Laundry		4,613
	Housekeeping		18,959
	Medical Supplies		1,007
	Taxes and Insurance		3,717
	Ancillary		45,222
	Other Equity		48
	To adjust cost centers to amounts per the as filed Medicare cost report HIM-15-1, Section 2300		
2	Nonallowable	58,153	
	Medical Supplies		2,193
	Special Services		55,960
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
3	Nonallowable	45,880	
	Cost of Capital		45,880
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		

LORIS HOSPITAL DISTRICT
D/B/A LORIS EXTENDED CARE FACILITY
Adjustment Report
Cost Report Period Ended September 30, 1995
AC# 3-LRS-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Cost of Capital Nonallowable	95,316	95,316
	To adjust capital return to allowable State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$442,921</u>	<u>\$442,921</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

LORIS HOSPITAL DISTRICT
D/B/A LORIS EXTENDED CARE FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1995
 AC# 3-LRS-J5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.0472</u>
Deemed Asset Value (Per Bed)	31,973
Number of Beds	<u>88</u>
Deemed Asset Value	2,813,624
Improvements Since 1981	28,810
Accumulated Depreciation at 9/30/95	<u>(367,840)</u>
Deemed Depreciated Value	2,474,594
Market Rate of Return	<u>0.070</u>
Total Annual Return	173,222
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	173,222
Depreciation Expense	208,330
Amortization Expense	-
Capital Related Income Offsets	(7,579)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	373,973
Total Patient Days	<u>31,791</u>
Cost of Capital Per Diem	\$ <u><u>11.76</u></u>